

49 YEARS OF SERVICE TO AMERICA'S SMALL BUSINESS: THE U.S. SMALL BUSINESS ADMINISTRATION, 1953-2002

Since its' founding on July 30, 1953, the U.S. Small Business Administration has delivered about 20 million loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses.

The SBA was officially established in 1953, but its philosophy and mission began to take shape years earlier in a number of predecessor agencies, largely as a response to the pressures of the Great Depression and World War II.

The Reconstruction Finance Corporation (RFC), created by President Herbert Hoover in 1932 to alleviate the financial crisis of the Great Depression, was SBA's grandparent. The RFC was basically a federal lending program for all businesses hurt by the Depression, large and small. It was adopted as the personal project of Hoover's successor, President Franklin D. Roosevelt, and was staffed by some of Roosevelt's most capable and dedicated workers.

Concern for small business intensified during World War II, when large industries beefed up production to accommodate wartime defense contracts and smaller businesses were left unable to compete. To help small business participate in war production and give them financial viability, Congress created the Smaller War Plants Corporation (SWPC) in 1942. The SWPC provided direct loans to private entrepreneurs, encouraged large financial institutions to make credit available to small enterprises, and advocated small business interests to federal procurement agencies and big businesses.

The SWPC was dissolved after the war, and its lending and contract powers were handed over to the RFC. At this time, the Office of Small Business (OSB) in the Department of Commerce also assumed some responsibilities that would later become characteristic duties of the SBA. Its services were primarily educational. Believing that a lack of information and expertise was the main cause of small business failure, the OSB produced brochures and conducted management counseling for individual entrepreneurs.

Congress created another wartime organization to handle small business concerns during the Korean War, this time called the Small Defense Plants Administration (SDPA). Its functions were similar to those of the SWPC, except that ultimate lending authority was retained by the RFC. The SDPA certified small businesses to the RFC when it had determined the businesses to be

competent to perform the work of government contracts.

By 1952, a move was on to abolish the RFC. To continue the important functions of the earlier agencies, President Dwight Eisenhower proposed creation of a new small business agency -- the Small Business Administration (SBA).

In the Small Business Act of July 30, 1953, Congress created the Small Business Administration, whose function was to "aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." The charter also stipulated that the SBA would ensure small businesses a "fair proportion" of government contracts and sales of surplus property.

By 1954, SBA already was making direct business loans and guaranteeing bank loans to small businesses, as well as making loans to victims of natural disasters, working to get government procurement contracts for small businesses and helping business owners with management and technical assistance and business training.

The Investment Company Act of 1958 established the Small Business Investment Company (SBIC) Program, under which SBA licensed, regulated and helped provide funds for privately owned and operated venture capital investment firms. They specialized in providing long-term debt and equity investments to high-risk small businesses. Its creation was the result of a Federal Reserve study that discovered, in the simplest terms, that small businesses could not get the credit they needed to keep pace with technological advancement.

In 1964, SBA began to attack poverty through the Equal Opportunity Loan (EOL) Program. The EOL Program relaxed the credit and collateral requirements for applicants living below the poverty level in an effort to encourage new businesses that had been unable to attract financial backing, but were nevertheless sound commercial initiatives.

Over the past 47 years, SBA has grown in terms of total assistance provided and its array of programs tailored to encourage small enterprises in all areas. SBA's programs now include financial and federal contract procurement assistance, management assistance, and specialized outreach to women, minorities and armed forces veterans. The SBA also provides loans to victims of natural disasters and specialized advice and assistance in international trade.

Nearly 20 million small businesses have received direct or indirect help from one or another of those SBA programs since 1953, as the agency has become the government's most cost-effective instrument for economic development. In fact, SBA's current business loan portfolio of roughly 219,000 loans worth more than \$45 billion makes it the largest single financial

backer of U.S. businesses in the nation.

Over the past 10 years, (FY 1991-2000), the SBA has helped almost 435,000 small businesses get more than \$94.6 billion in loans, more than in the entire history of the agency before 1991. No other lender in this country - perhaps no other lender in the world - has been responsible for as much small business financing as the SBA has during that time.

Since 1958, SBA's venture capital program has put more than \$30 billion into the hands of small business owners to finance their growth.

Last year alone, the SBA backed more than \$12.3 billion in loans to small businesses. More than \$1 billion was made available for disaster loans and more than \$40 billion in federal contracts were secured by small businesses with SBA's help.

SBA continues to branch out to increase business participation by women and minorities along new avenues such as the minority small business program, microloans and the publication of Spanish language informational materials.

There are those who argue that big businesses, profiting from "economies of scale," can produce far more efficiently than small businesses. But small business is where the innovations take place. Swifter, more flexible and often more daring than big businesses, small firms produce the items that line the shelves of America's museums, shops and homes. They keep intact the heritage of ingenuity and enterprise and they help keep the "American Dream" within the reach of millions of Americans. Every step of the way, SBA is there to help them.

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